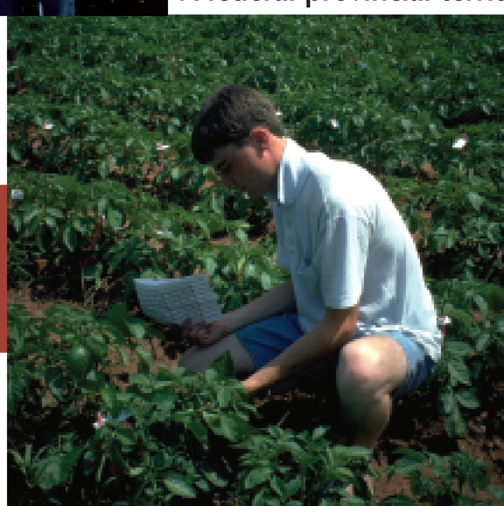
Canadian Agricultural Income Stabilization (CAIS) Program Handbook

Revised Edition

A federal-provincial-territorial initiative



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Version 1.0 - July 30, 2004

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Section 1 - The Canadian Agricultural Income Stabilization (CAIS) Program

1.1 Program Overview

The Canadian Agricultural Income Stabilization (CAIS) program is designed to help you protect your farming operation from both small and large drops in income. Generally, individuals or entities that derive income from the primary production of agricultural commodities, as defined by the program, are eligible to participate in the CAIS program. The CAIS program and Production Insurance are the two main programs under the Business Risk Management component of the Agricultural Policy Framework (APF).

1.2 How the Program Works

1.2.1 Production Margin - A Measure of Your Income Situation

To measure your income situation in a given year, the CAIS program calculates your **Production Margin** for that year. Your production margin is the difference between allowable income and allowable expenses, as defined by the CAIS program, in a given fiscal year. For more details on the production margin and allowable income and expenses, *see Section 6.2 - Allowable and Non-allowable Income and Expenses*.

1.2.2 Reference Margin - The Basis of CAIS Program Protection

The Administration calculates your production margin for each of your previous five years, and determines your **Reference Margin** using an **Olympic Average**[1]. This is your average production margin over the previous five-year period, where the year with the highest margin and the year with the lowest margin are dropped. This represents your average historical income and forms the basis of your protection under the program.

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[1] If you did not farm in one or more of the five years prior to the program year, your reference margin will be based on the average production margin of the previous three years. *See Section 6.4 for more details.*

For each program year, you will receive an **Options Notice** which illustrates the different protection options you can choose for your program year. The Options Notice will include your **Estimated Reference Margin**, from which you select the **Protection Level** you want for the program year. The protection level you select represents *the percentage of your reference margin you wish to protect in the event that your production margin in the program year declines to zero*. The minimum protection level available protects 70% of your reference margin in the event of a margin decline to zero, while the maximum protection level protects 92% of your reference margin in the event of a margin decline to zero. For smaller margin declines, the percentage of your reference margin to which you would be returned would, in fact, be higher (up to 100%). The Options Notice will also outline the amount of money you will need to deposit in order to secure the various protection levels available.

1.2.3 Deposit - Securing a Protection Level

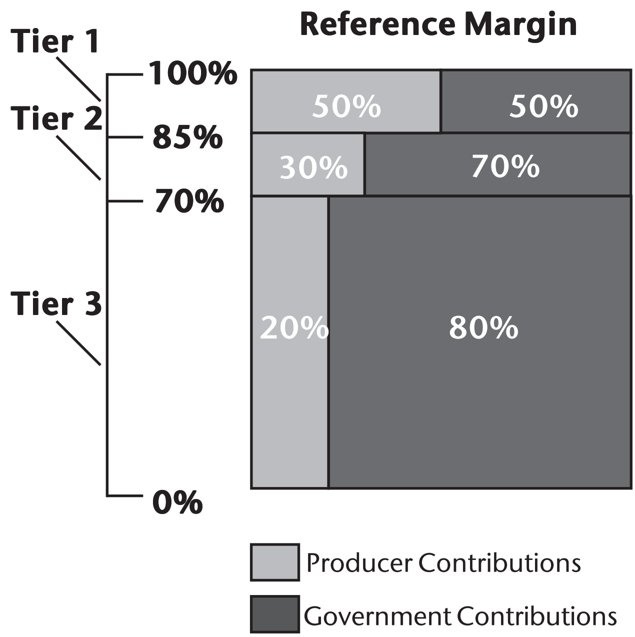
To secure your chosen protection level, you must deposit the appropriate amount of funds into a CAIS program account which is held at a participating financial institution of your choice. The amount of the deposit will depend on the protection level you select. For the 2003 and 2004 program years, you need only deposit one-third of the total amount required to secure your protection level.

Your reference margin is divided into three tiers. Each of the tiers represents a range of your reference margin, and has its own producer-government cost-share requirements.

Tier 3 represents the 0-70% range of your reference margin. Protection for this range of your reference margin is cost-shared 20:80 between producers and governments. In other words, to secure protection for this tier, you must deposit a dollar amount equal to one-third of 20% of your reference margin that falls within this tier. All participants must, at a minimum, have protection for this tier.

Tier 2 represents the range of your reference margin greater than 70% up to 85%. Protection for this range of your reference margin is cost-shared 30:70 between producers and governments. In other words, if after securing protection for Tier 3 you would like to secure protection for this tier, you must deposit an additional dollar amount equal to one-third of 30% of your reference margin that falls within this tier.

Tier 1 represents the range of your reference margin greater than 85% up to 100%. Protection for this range of your reference margin is cost-shared 50:50 between producers and governments. In other words, if after securing protection for Tiers 2 and 3 you would like to secure protection for this tier, you must deposit an additional dollar amount equal to one-third of 50% of your reference margin that falls within this tier.

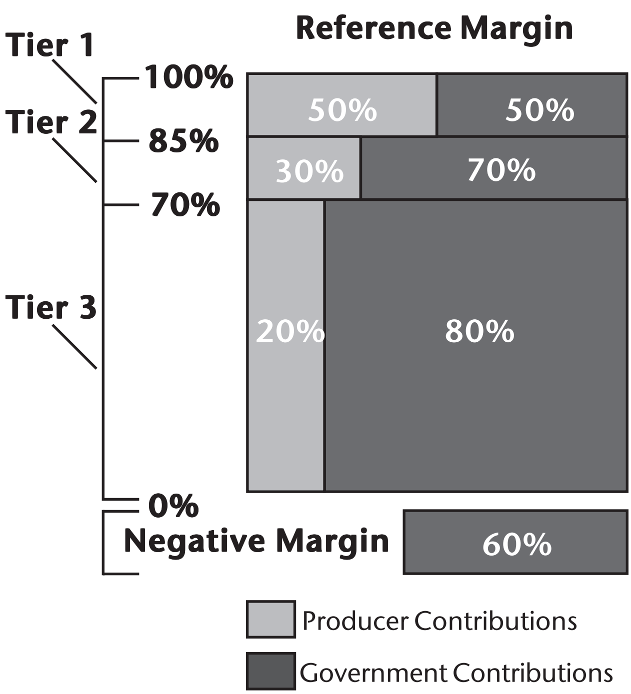


For more information, see Section 5.1. - *Account Balance Requirements*

1.2.4 Program Payments - Withdrawals and Government Contributions

After you have filed an income tax return for your fiscal year, the CAIS Program Administration will calculate your **Program Year Margin**. This margin is based on the fiscal period for which your taxes are filed for the program year. If you filed your taxes using the cash method of accounting, your program year margin will be adjusted for changes in inventories, accounts payable and receivable, and purchased inputs.

If your program year margin has declined below your reference margin, some or all of the funds in your account will be available for withdrawal. At the same time, you will receive government funds, which will be paid to you directly. The amount of your withdrawal, and the corresponding amount of government funds, is determined by the tier of your reference margin into which your program year margin has declined:



1) The funds in your CAIS program account will first be made available to cover any portions of your program year margin decline that fall within Tier 3. As the producer-government cost-share for this tier is 20:80, for each $1 of your own funds that is withdrawn, you will receive $4 in government contributions. Payments are made at this rate until your program year margin is brought back up to the top of Tier 3 (70% of your reference margin).

2) After covering any margin declines that fall within Tier 3, you may still have funds remaining from the amount you deposited to secure your protection level. These funds would then be made available to cover the portions of your margin decline that fall within Tier 2. As the producer-government cost-share for this tier is 30:70, for each $1 of your own funds that is withdrawn, you will receive $2.33 in government contributions. Payments are made at this rate until your program year margin is brought back up to the top of Tier 2 (85% of your reference margin), or to the limit that your remaining available funds allow.

3) After covering any margin declines that fall within Tiers 2 and 3, you may still have funds remaining from the amount you deposited to secure your protection level. These funds would then be made available to cover the portions of your margin decline that fall within Tier 1. As the producer-government cost-share for this tier is 50:50, for each $1 of your own funds that is withdrawn, you will receive $1 in government contributions. Payments are made at this rate until your program year margin is brought back up to the top of Tier 1 (100% of your reference margin), subject to payment caps and the limit that your remaining available funds allow.

4) In addition to covering the government contributions for any margin declines that fall within Tiers 1, 2, and 3, government funds are also available for margin declines that fall below zero. As the producer-government cost-share for declines past zero is 0:60, you will receive $0.60 in government contributions for each dollar of the decline below zero, subject to the rules set out in Section 5.3.3.

Note: For the 2003 and 2004 program years, you need only deposit one-third of the total amount required to secure your protection level. As such, the withdrawal of producer contributions in 1-3 above will not be in the full amount described for participants who have made this partial deposit. Instead, if you made a partial deposit and you have a margin decline in the program year, you must withdraw the lesser of the producer contribution normally required to leverage government contributions against that decline OR your account balance at the time of payment.

For more information, see Section *5.3.1 – Withdrawals and Government Contributions*.

1.3 Sample Payment Calculation

Step 1: Calculate the Reference Margin

Tax Year	Allowable Income	Allowable Expenses	Production Margin
1998	$150,000	$70,000	$80,000
1999	$90,000	$60,000	$30,000 *
2000	$160,000	$60,000	$100,000
2001	$190,000	$70,000	$120,000
2002	$200,000	$75,000	$125,000 *
		Total =	**$300,000**
			Divided by 3
		Reference Margin =	**$100,000**

** Using the Olympic average, the highest and lowest margin years are dropped from the calculation.*

Step 2: Select Protection Level

Protection Level (against full decline)	Participant Deposit or Account Balance Required	Minimum Participant Deposit or Account Balance
92% (maximum) **SELECTED**	$22,000[2] **PARTICIPANT DEPOSIT**	$7,333
90%	$21,000	$7,000
85%	$18,500	$6,167
80%	$17,000	$5,667
75%	$15,500	$5,167
70% (minimum)	$14,000	$4,667

[2] Because of limits on government contributions, participants only need to deposit sufficient funds to access all available government contributions. For more details, see Section *5.1 – CAIS Program Account Balance Requirements.*

Step 3: Calculate Program Year Margin

Tax Year	Allowable Income	Allowable Expenses	Production Margin
2003	$130,000	$85,000	$45,000
+	Net increase (decrease) in purchased inputs		$1,000
+	Net increase (decrease) in accounts receivable		($6,000)
+	Net decrease (increase) in accounts payable		$4,500
+	Net increase (decrease) in crop inventory		($1,000)
+	Net increase (decrease) in livestock inventory		($3,500)
=	**Program Year Margin**		**$40,000**

Step 4: Calculate Payment

Margin Decline		
	Reference Margin:	$100,000
Less	Program Year Margin:	$ 40,000
	Total Decline	**$ 60,000**

Step 4 continued on next page.

Government funds leveraged by account balance of $22,000 *(see Step 2)*:

Tier (Prod / Gov. ratio)	Portion of Decline	Full Participant Withdrawal*	Government Funds	Total Payment
Tier 3 (20 / 80) ($1 / $4)	$40,000 to $70,000 = **$30,000**	$6,000	$24,000	$30,000
Tier 2 (30 / 70) ($1 / $2.33)	$70,000 to $85,000 = **$15,000**	$4,500	$10,500	$15,000
Tier 1 (50 / 50) ($1 / $1)	$85,000 to $100,000 = **$15,000**	$7,500	$7,500	$15,000
	TOTALS	**$18,000**	**$42,000**	**$60,000**

In this example, the participant selected a maximum protection level against a full margin decline, and deposited $22,000. Upon withdrawing $18,000 from the original deposit, the participant was able to leverage a maximum of $42,000 in government contributions against the margin decline, for a total payment of $60,000. When added to the program year margin of $40,000, the combined producer-government contributions bring the participant's program year margin back to 100% of the reference margin.

* The example shown demonstrates the leveraging of government funds by the full participant withdrawal. If the participant had made a partial deposit (less than the full amount, but equal to or greater than the one-third amount), they would simply withdraw the lesser of the full producer contribution OR their CAIS program account balance at the time of payment, and still receive all government contributions available for the decline. For more information on the partial deposit option, see Section 5.2.2.

Section 2 - Participation Process

2.1 Steps in the Participation Process

Step 1: The participation process for each program year starts when you receive an Options Notice from the Administration. The Options Notice details your estimated reference margin and options for protecting your margin for the program year. If necessary, you will need to submit historical farming income information required to calculate your estimated reference margin. If you are not currently participating in the CAIS program and would like to receive an Options Notice, contact the CAIS Program Administration toll-free at 1-866-367-8506.

Step 2: Submit your response to the Options Notice to the CAIS Program Administration, indicating your selected protection level for the program year.

Step 3: If you have not already done so, open a CAIS program account at a participating financial institution, and deposit the amount necessary to meet the account balance required to secure your chosen protection level.

Step 4: Complete and submit the following program forms by the deadline: a) the T1163 - Statement of Farming Activities to Canada Revenue Agency (CRA) for income tax purposes (or the equivalent Corporate or Special Individual form), and b) the CAIS program Supplementary Form to the CAIS Program Administration.

Step 5: After processing your program forms, you will be sent a **Calculation of Program Benefits**. If the Administration determines that your farming operation experienced a program year margin decline relative to your reference margin, you will trigger a withdrawal from your account. At the same time, the CAIS Program Administration will issue you a payment in the amount of the corresponding government contributions.

2.2 Deadlines

2.2.1 2003 Program Year

Step 1:	Choose protection level and return Options Notice to CAIS Program Administration.	**June 30, 2004**
Step 2:	Open a CAIS program account and make the required deposit.	**December 31, 2004**
Step 3:	Complete and submit the T1163 or Statement A equivalent for Corporations/Co-operatives or Special Individuals.	**June 15, 2004 -** for individuals **June 30, 2004 -** for corporations
Step 4:	Complete and submit the CAIS program Supplementary Form.	**September 30, 2004**

2.2.2 2004 Program Year

Step 1:	Choose protection level and return Options Notice to CAIS Program Administration.	**June 30, 2004**
Step 2:	Open a CAIS program account and make the required deposit (if necessary).	**December 31, 2004**
Step 3:	Complete and submit the T1163 or Statement A equivalent for Corporations/Co-operatives or Special Individuals.	**June 15, 2005 -** for individuals **June 30, 2005 -** for corporations
Step 4:	Complete and submit the CAIS program Supplementary Form.	**September 30, 2005**

Program forms postmarked after the deadline date will not be accepted. When the deadline falls on a Saturday, Sunday, or statutory holiday, completed forms postmarked on the next business day will be accepted.

Failure to meet any of the above deadlines for the current program year will result in a participant being ineligible to receive government contributions in the program year. Failure to meet any of the above requirements for two consecutive program years will result in a participant being ineligible to participate in the program for the following two program years.

The CAIS Program Administration may excuse a missed deadline where a producer can demonstrate that exceptional circumstances prevented them from meeting the deadline in question. “Exceptional circumstances” can only be cited where the failure to meet a deadline could not have been avoided by the exercise of due care by the producer or a third party acting on behalf of the producer.

Note: Further information on where to get program forms and how to complete them is available from the CAIS Program Administration toll-free at 1-866-367-8506, and on the CAIS program Web site at www.agr.gc.ca/caisprogram.

Section 3 - Eligibility

3.1 General Eligibility Requirements

To be eligible to participate in the CAIS program, you must have in the program year:

1) carried on the business of farming in Canada and reported farming income (or loss) for income tax purposes;
2) completed a minimum six consecutive months of farming activity;
3) completed a production cycle; and
4) met all program requirements (as specified in Section 2) by the established deadlines.

A **production cycle** includes one or more of the following activities:

1) the growing and harvesting of a crop;
2) the process of rearing livestock;
3) the purchase and sale of livestock within a program year in the case of feeding or finishing enterprises.

The eligibility requirements of six consecutive months of farming activity and a completed production cycle may be waived by the CAIS program if you were unable to farm in the program year as a direct result of a disaster or reasons beyond your control.

3.2 Program Participation

3.2.1 Participation Requirements for Individuals

Individual participants, which include sole proprietorships, partners in a partnership, and estates, must each hold a CAIS program account and provide their Social Insurance Number (SIN).

- **Partners** in a partnership must each submit separate program forms reporting 100% of the partnership's income and expenses. The CAIS Program Administration will calculate each partner's share of withdrawal entitlements and government contributions based on each partner's percentage share of the operation. Limited liability partnerships are eligible to participate as an entity.

- **Estates** of deceased participants are eligible to participate provided they meet the six consecutive months of farming activity and completed a production cycle in the program year. These requirements may be met through a combination of activities performed by the deceased participant and their estate. If a protection level has been elected by the deceased participant prior to his/her death, this level will be assumed by the estate or trust. For more information on the eligibility of estates and deceased participants, refer to TIC 1 – Estates and Deceased Individuals, available on the CAIS program Web site at www.agr.gc.ca/caisprogram or by calling 1-866-367-8506.

- **Status Indians** - If you are a Status Indian who carries on the business of farming on a reserve in Canada and do not file income tax returns, you are eligible to participate provided you submit information you would have otherwise reported for tax purposes for program and reference years based on the requirements of the Income Tax Act. Status Indians will be deemed to have a December 31 fiscal year-end.

3.2.2 Participation Requirements for Entities

Entities, which include corporations, co-operatives, limited liability partnerships, communal organizations, and trusts, must each hold a CAIS program account and provide their Business Numbers and/or Taxation Numbers used for income tax purposes. Entities may also be required to provide the SIN's of each shareholder or member.

3.2.3 Multiple Farming Operations

Each individual or entity that reports farming income (or loss) for income tax purposes must participate in the program separately. If you are involved in **multiple farming operations**, you must submit program forms for each operation.

3.2.4 Bankruptcy

An individual or entity that is in the state of bankruptcy in the program year may participate through the trustee in bankruptcy. For more information, refer to TIC 2 – Bankruptcies, available on the CAIS program Web site at www.agr.gc.ca/caisprogram or by calling 1-866-367-8506.

3.2.5 Multi-Jurisdiction Farms

If you live and farm in different provinces or if you have farming income from more than one province, you must participate in the province where your main farmstead is located. Your province of main farmstead is the province where all or the majority of your gross farming income was earned in the Reference Period. You may not participate in more than one province.

3.2.6 Government Funded Institutions

Research stations, universities, colleges, and other government-funded institutions are not eligible to participate in the CAIS program.

Section 4 - Managing Your CAIS Program Account

4.1 Opening a CAIS Program Account

To be eligible to participate in the CAIS program, you must open a CAIS program account at a participating financial institution of your choice and have on deposit the account balance required for your chosen protection level by the deposit deadline. Participating financial institutions include most of the major chartered banks, credit unions and caisses populaires. For a list of participating financial institutions, please refer to the CAIS program Web site at www.agr.gc.ca/caisprogram, or contact the CAIS Program Administration at 1-866-367-8506.

To open a CAIS program account, simply visit a participating financial institution and complete a CAIS program Account Application before your deposit deadline date. Your financial institution will forward this information to the CAIS Program Administration.

All withdrawals from your CAIS program account must be authorized by the Administration through a Withdrawal Notice. Financial institutions are not permitted to make withdrawals from your account without this authorization.

Note: Financial institutions are responsible for the timely and accurate processing of deposits and withdrawals from your CAIS program account and they are responsible for any lost benefits resulting from their errors. However, they are not responsible for providing you with program information. If you have any questions about the CAIS program, including how to make a deposit or how to reply to your Options Notice, contact the CAIS Program Administration directly.

4.2 Administrative Cost Share (ACS)

All CAIS program participants pay an Administrative Cost Share to help cover their share of the program's administrative costs. The annual cost to maintain your account is $55 per account and is charged for as long as the account is open. The ACS will be deducted from any government contributions payable to you in the year. In years where no government contributions are available, the ACS owing will be carried forward to the following program year.

4.3 Interest

Any interest earned on funds in your CAIS program account will not be deposited into your CAIS program account. Your financial institution will pay any interest earned to you directly or deposit the interest into another account owned by you.

4.4 Account Balance Limit (ABL)

Your CAIS program account has an account balance limit of two times (2x) the amount of the full contributions required to secure the maximum protection level for your farm. You can make contributions in excess of your account balance requirements at any time, provided the resulting balance does not exceed your account balance limit. You will be required to withdraw any amounts from your CAIS program account that exceed your account balance limit.

4.5 Opting Out of the CAIS Program

You may opt out of the CAIS program at any time by writing to the CAIS Program Administration. If you choose to opt out, you will not be eligible to participate in the program year in which the opt out occurs and the balance of your CAIS program account will be paid out to you. You will not be eligible to rejoin the program for the next two program years following the program year in which you opt out.

Once the processing of an opt out request has commenced, the opt out request cannot be reversed. Any monies owing to the CAIS program by a participant must be remitted before an opt out will be processed.

The CAIS Program Administration may opt a participant out of the program for reasons including, but not limited to, failure to meet program and/or administrative requirements or if the participant's farm has ceased farming.

Section 5 - Account Transactions

5.1 CAIS Program Account Balance Requirements

After choosing your protection level, you must have on deposit in your CAIS program account the balance required to secure your chosen protection level by the deposit deadline. The amount of funds that you need to have in your account will depend on your reference margin and the protection level that you selected. For 2003 and 2004, you need only deposit one-third of the total amount required to secure your protection level.

- Tier 3 represents the 0-70% range of your reference margin. All participants must, at a minimum, have selected a protection level for this tier. To secure protection for this tier, you must deposit a dollar amount equal to one-third of 20% of your reference margin that falls within this range. This represents the minimum account balance required to participate in the CAIS program.

- Tier 2 represents the range of your reference margin greater than 70% up to 85%. If, in addition to Tier 3, you would like to secure protection for this tier, you must deposit a dollar amount equal to one-third of 30% of your reference margin that falls within this range. This deposit amount is in addition to the deposit required for Tier 3.

- Tier 1 represents the range of your reference margin greater than 85% up to 100%. If, in addition to Tiers 2 and 3, you would like to secure protection for this tier, you must deposit a dollar amount equal to one-third of 50% of your reference margin that falls within this range. This deposit amount is in addition to the deposit required for Tiers 2 and 3.

The following table illustrates the account balance requirements of a participant with a reference margin of $100,000:

	Protection to 70% (minimum)	Protection to 85%	Protection to 92% (maximum)
Tier 1			
Portion of reference margin protected in this tier			$15,000
Participant cost-share in this tier			x (50%x1/3)
Required participant contributions			**$2,500**
Tier 2			
Portion of reference margin protected in this tier		$15,000	$15,000
Participant cost-share in this tier		x (30%x1/3)	x (30%x1/3)
Required participant contributions		**$1,500**	**$1,500**
Tier 3			
Portion of reference margin protected in this tier	$70,000	$70,000	$70,000
Participant cost-share in this tier	x (20%x1/3)	x (20%x1/3)	x (20%x1/3)
Required participant contributions	**$4,667**	**$4,667**	**$4,667**
Account Balance Required	**$4,667**	**$6,167**	**$7,333***

* **Note:** Regardless of your reference margin, you will not have to have more money on account than one-third of the amount needed to leverage the maximum available government contributions. Government contributions are limited to the lesser of a) 70% of the margin decline in the program year, relative to the reference margin, or b) $3,000,000.

The account balance requirements that appear on your Options Notice are based on your estimated reference margin. As a result, these represent initial account balance requirements and are subject to change once the CAIS Program Administration has completed processing your program forms and calculated your final reference margin.

5.2 Deposits

5.2.1 Making a Deposit

You will receive a Deposit Notice with your 2003 Calculation of Program Benefits indicating the account balance required by the deposit deadline. Your account balance requirement will vary depending on the program year(s) for which you are participating:

If you are participating for 2003, your requirement will be the lower of the one-third deposit shown on your 2003 Options Notice and the one-third deposit based on your actual 2003 reference margin. This amount will be shown on your Deposit Notice. **Please note:** If you have made a deposit prior to receiving your Deposit Notice and withdraw some or all of these funds from your account as part of a 2003 payment, your 2003 requirement will be the difference between the lower one-third deposit and the amount withdrawn.

If you are participating for 2004, your requirement will be the one-third deposit based on your estimated 2004 reference margin. This amount will be shown on your Deposit Notice.

If you are participating for both 2003 and 2004, you need only deposit the higher of the 2003 and 2004 requirements shown above. This amount will be shown on your Deposit Notice.

Your financial institution will report your account balance to the CAIS Program Administration as it stands at the close of business on the deposit deadline date. If your account balance does not meet the account balance required by end of day on the deposit deadline date, you will not be eligible to receive government contributions for that program year, and any contributions already received for that program year will have to be repaid to the CAIS Program Administration.

Deposit cheques mailed to the CAIS Program Administration will not be accepted and will be returned to you. It is your responsibility to make your deposit at your financial institution by the deadline.

5.2.2 Partial (1/3) Deposit Option

For the 2003 and 2004 program years, you need only deposit one-third (1/3) of the amount normally required to secure your protection level. That is, a partial deposit will constitute sufficient funds to leverage all government contributions available to you for the program year.

5.3 Withdrawals

5.3.1 Withdrawals and Government Contributions

After your program forms have been processed, you will receive a Calculation of Program Benefits detailing your final program year margin and reference margin. If sufficient funds are present in your account, a mandatory withdrawal of funds from your account will be authorized. At the same time, government contributions will be sent directly to you.

5.3.2 Payment of Government Contributions with a Partial Deposit

If you made a partial deposit (that is, a deposit of less than the full producer contribution but equal to or greater than the one-third amount), and you have a margin decline in the program year, you must withdraw the lesser of the producer contribution normally required to leverage government contributions against that decline OR your account balance at the time of payment.

5.3.3 Payment of Government Contributions for Negative Margins

If your program year margin has declined by greater than 100% relative to your reference margin, you will be eligible to receive government contributions for the negative portion of the margin decline (the **Negative Margin**) if you meet the following criteria:

1) you incurred a negative margin resulting from a peril beyond your control*;
2) you did not receive CAIS government contributions for negative margins in more than two program years of the preceding five program years;
3) you followed sound management practices; and
4) you have a reference margin that is greater than zero.

Government contributions will be paid out at 60% of the program year margin decline that falls within the negative margin. *If you did not participate in a Production Insurance program at the minimum level (70% coverage) for an insurable commodity, you will have your negative margin benefit reduced by 60% of the deemed production insurance benefit calculated for that commodity.

The **Deemed Production Insurance Benefit** is the net payment amount that a CAIS participant would have received from Production Insurance had they been insured at the minimum level of 70% for a particular commodity. The Production Insurance agency for the participant's province will calculate the deemed benefit based on information provided by the CAIS Program Administration. For more information on the calculation of the deemed benefit, refer to TIC 7 - Negative Margin Payments, available on the CAIS program Web site at www.agr.gc.ca/caisprogram or by calling 1-866-367-8506.

5.3.4 Limits on Government Contributions

The maximum total government contributions that you can receive under CAIS in a given program year is capped at the lesser of $3,000,000, or 70% of the margin decline of your program year margin, relative to your reference margin. Any negative portions of the program year margin will be included in the calculation of the 70% payment cap.

Payments of government contributions of less than $10 will not be issued by the Administration.

5.3.5 Payment of Government Contributions to Farms with Supply-Managed Commodities

If your program year margin decline does not fall into Tier 3, relative to your reference margin (that is, your program year margin declines by 30% or less relative to your reference margin), any contributions payable to you will be reduced by an amount equivalent to the percentage of your allowable farm revenue that is derived from supply-managed commodities. This percentage is calculated based on the three years used to determine your reference margin, and is subject to structural change adjustments. The supply management adjustment will not be applied if your program year margin declines into Tier 3, relative to your reference margin.

5.3.6 Unmatched Withdrawals

You may make unmatched withdrawals from your account, provided that you have enough funds in your account to cover the full deposit required to secure the protection level which you have chosen. To request an unmatched withdrawal, contact the CAIS Program Administration.

5.3.7 Interim Payments

An interim payment option is available that allows you to access funds prior to the completion of your program year fiscal year period. In order to be eligible for an interim payment, you must have completed a production cycle and six months of farming activity, and your program year margin must have declined into Tier 2, relative to your reference margin. If you receive an interim payment, you will be required to meet all the CAIS program participation requirements, including submitting final CAIS program forms for that program year by the established deadline. Failure to do so will result in any interim benefits received being considered an overpayment and you will be required to pay these benefits back to the CAIS Program Administration. For more information, or to request a *CAIS Interim Application,* visit the CAIS program Web site at www.agr.gc.ca/caisprogram or call 1-866-367-8506.

5.3.8 Mandatory Withdrawals

The CAIS Program Administration may require you to make mandatory withdrawals from your CAIS program account for reasons including, but not limited to:

- your account balance limit has been exceeded;
- you are ineligible to participate in the CAIS program due to failure to meet program and/or administrative requirements; or
- your operation has ceased to operate.

5.3.9 Debts Due to the Crown

Debts due to the Crown may be deducted from any monies payable to you and applied to the debt. You will be notified of these offsets. Receivables due to the CAIS program, such as the administrative cost share, will be deducted from any government contributions payable to you or will be carried forward in the years you do not qualify for government contributions.

5.4 Treatment of CAIS Program Payments

Based on CRA tax guidelines:

- Withdrawals from your CAIS program account are not taxable;
- Government contributions paid to you are taxable in the year the cheque is dated;
- Payment of government contributions must be reported as farming income for tax purposes;
- The CAIS Program Administration will issue an *AGR-1 Supplementary - Statement of Farm Support Payments* tax information slip for taxable benefits over $100.

The government contributions received from the CAIS program cannot be assigned, deferred (for income tax purposes), or otherwise encumbered.

5.5 Account Transfers

5.5.1 Transferring your Account to Another Financial Institution

To transfer your account from one financial institution to another, you must request the transfer through the CAIS Program Administration, who will authorize your previous financial institution to close your existing account and move the funds to the new institution. Any service fees that your financial institution may charge you for transferring your account may not be withdrawn from your CAIS program account.

5.5.2 Transferring an Individual Account to a Corporation

If you incorporate your farming operation, you can transfer your individual account to the corporation. To do this, you must provide the Administration with notification in writing of the intention to transfer, including the corporation's Business Number (if available), the last year for which individual participation will take place, and any other relevant information required by the CAIS Program Administration.

5.6 Adjustments

You may request an adjustment to the information reported on the CAIS program forms by submitting a written request to the CAIS Program Administration within **90 days** of the date indicated on your original Calculation of Program Benefits. Adjustments requested after this time will not result in any changes to payments for the program year.

Where adjustments affect taxable income, the CAIS Program Administration may require that the adjustment be accepted by CRA before it is accepted for program purposes. It is the participant's responsibility to submit to the CAIS Program Administration copies of the Notice of Reassessment issued by CRA, or notifications of adjustments to information submitted to CRA for income tax purposes.

All adjustments require supporting documentation and are subject to verification, audit and/or inspection by the CAIS Program Administration. If verification, audit, or inspection results in a change to the amount in a participant's benefits, any overpayment will be repayable by the participant and any additional amount will be paid to the participant.

Note: The CAIS Program Administration is not subject to deadlines in cases of adjustments initiated by the Administration.

Section 6 - Calculations of Margins

6.1 Method of Accounting

You must use the same method of accounting (cash or accrual) as you use to report your financial information to CRA for income tax purposes. If you have changed your method of accounting at any time, you will be required to convert your financial information for program purposes to ensure that all reference years are reported to the CAIS Program Administration on a consistent method of accounting. In doing this, you have the option of either: 1) converting all reference years to the current method of accounting as filed to CRA, or 2) converting all reference years to the method of accounting with which you reported to CRA for the majority of your reference years. You must notify the CAIS Program Administration of any changes to your method of accounting, and you must submit the following documents with your application:

1) Completed conversion worksheets;

2) Full financial statements (including notes);

3) Working papers for accounts receivable, accounts payable, and inventories; and,

4) Reconciliation of Net Income for Tax Purposes or T2S(1).

Note: Participants who reported income tax information on the cash basis, but who participated in the NISA Program and reported to NISA on the accrual basis, will not be required to convert the information for these years to the cash basis if this method of accounting was used for two or more consecutive years in the 2003 reference period.

For more information on method of accounting requirements, refer to TIC-6 - Method of Accounting, available on the CAIS program Web site at www.agr.gc.ca/caisprogram or by calling 1-866-367-8506.

6.2 Allowable and Non-Allowable Income and Expenses

For CAIS program purposes, income and expenses related to capital and non-farm business items are excluded. Allowable income items are generally limited to the sales of agricultural commodities and Production Insurance payments, while allowable expense items are generally limited to input costs directly related to the production of agricultural commodities. For more information on allowable and non-allowable items, refer to TIC- 5 - Allowable vs. Non-Allowable, available on the CAIS program Web site at www.agr.gc.ca/caisprogram or by calling 1-866-367-8506.

Refer to the following tables for examples of allowable and non-allowable income and expense items.

Allowable Income	Non-Allowable Income
Agricultural Commodity Sales	Agricultural Contract Work
Rebates for Allowable Expenses	Risk Management and Disaster Assistance Payments
Wildlife Damage Compensation Payments	Other Program Payments
Crop/Production Insurance Proceeds	Rebates for Non-Allowable Expenses
Insurance or Other Proceeds for Allowable Income and Expense Items	Patronage Dividends
Premium Adjustment Payments (reference years only)	Interest
	Gravel
	Trucking
	Machinery Rental
	Leases
	Resales of Commodities Purchased

Income derived from aquaculture or from farming activities outside of Canada is not eligible for coverage under the program.

Any income or expenses that cannot be substantiated by a verifiable explanation or are considered by the Administration to be unreasonable, may be adjusted by the Administration.

Allowable Expenses	Non-Allowable Expenses
Commodity Purchases	Machinery Repairs
Containers and Twine	Agricultural Contract Work
Fertilizer and Lime	Advertising and Marketing costs
Pesticides	Building and Fence repairs
Insurance Premiums (crop)	Other insurance premiums
Veterinary fees, medicine, A.I. fees	Memberships/Subscription Fees
Minerals and Salts	Legal and Accounting Fees
Machinery (gasoline, diesel fuel, oil)	Non-Arm's Length Salaries
Electricity	Office Expenses
Freight and Shipping	Motor Vehicle Expenses
Heating Fuel	Small Tools
Arm's Length Salaries	Soil Testing
Storage/Drying	Licenses/Permits
Prepared Feed	Telephone
Insurance or Other Premiums for Allowable Income and Expense Items	Machinery Lease/Rental
Futures Transaction Fees	Land Clearing and Draining
Commissions and Levies	Interest (real estate, mortgage, other)
	Property taxes
	Rent (land, buildings, pastures)
	Quota rental (tobacco, dairy)
	Gravel
	Purchases of commodities resold
	Motor vehicle interest and leasing costs
	Allowance on eligible capital property
	Capital cost allowance
	Mandatory inventory adjustments - prior year
	Optional inventory adjustments - prior year
	Other

6.2.1 Program Payments

Payments received from programs other than Production Insurance shall be considered non-allowable income for program purposes, with the following exceptions:

For the purposes of calculating the program year margin, amounts received from a) the BSE Recovery Program, b) the Canadian Food Inspection Agency, c) the Transitional Industry Support Program, and d) provincial programs designated as allowable for the program year will be considered allowable income items. These amounts will be considered non-allowable income for the purposes of calculating the reference margin.

6.2.2 Labour Expenses

Non-arm's length salaries (including management fees paid to the shareholders of a corporation) are considered non-allowable expenses. While arm's length salaries are considered allowable under the CAIS program, any salaries that are considered by the CAIS Program Administration to be unreasonably high in the program year relative to the reference period may be adjusted, unless a verifiable explanation is provided by the participant. Amounts which are considered by the CAIS Program Administration to be unreasonable or unverifiable may be deemed non-allowable in their entirety.

6.2.3 Crop/Livestock Share

Landlord or lessor income, whether cash rent or payments-in-kind, earned through a crop or livestock share or lease arrangement must be reported as rental income for income tax purposes, and is therefore considered non-allowable under the program. However, where the arrangement constitutes a joint venture, such that the landlord or lessor's share in the allowable expenses approximates their share in the allowable related income, those income and expense items may be considered allowable.

Tenants or lessees reporting income or inventory derived through a crop or livestock share or lease must report their income and expense information based on their percentage share.

6.2.4 Contract Work and Machine Rental

All contract work and machine rental income and expenses are considered non-allowable for program purposes. Custom work includes: custom seeding, cleaning, snow plowing, gravel hauling, contract welding, oilfield services, non-agricultural trucking, land clearing, logging, building, and construction. Income generated from these services is excluded from the CAIS program production margin calculations. In addition, an amount equal to 30% of reported contract work income will be deducted from allowable expenses, to account for the expenses incurred to perform the contract work. Where the 30% ratio is inappropriate for the operation, the CAIS Program Administration may use a different expense ratio, and where required, request supporting documentation from the participant.

In cases where contract work expenses include amounts for arm's length labour or production input costs, the portion of these expenses will be allowable under the program only to the extent they are itemized separately on the participant's financial statements submitted with their income tax return (or on other documentation as requested by the CAIS Program Administration). Where there is a discrepancy in the method used to report these expenses in the program year and reference period, the reference period reporting will be adjusted to reflect the method used in the program year.

Custom Feedlot Operations: In order for income and expenses from a feedlot operation to be considered allowable, the feedlot operation must have made an appreciable contribution to the growth and maturity of the livestock. In the case of cattle, an appreciable contribution will have been made if the animals are fed for at least 60 days, or gain an average of at least 90 kilograms. A custom feedlot operator may own all, some, or none of the animals and must grow or purchase the feed used in the operation. Operations are not considered to have made a contribution to the growth and maturity of the livestock, and the corresponding income and expenses are therefore non-allowable, if the participant is:

1) acting as an agent or broker for the sale of livestock
2) buying livestock for short term resale, or;
3) assembling and preparing livestock for shipment.

6.2.5 Commodity Futures

Futures market transactions (including options and forward contracts) are eligible income and/or expenses to the extent that you use these transactions as a hedging strategy. To demonstrate that the futures market transactions are a hedging strategy, you may be required to substantiate that:

- Your futures transactions are hedging and not speculation;

- Your futures transactions were undertaken in commodities produced and/or consumed on your farm (e.g., a participant that does not grow or feed grain could not include wheat futures transactions as an eligible income and/or expense);

- Your futures transactions represent a volume of product that could either be reasonably produced and/or consumed on the farm, or would be considered a proxy for that commodity (e.g., a participant that grows 500 acres of corn, but undertook futures transactions equivalent to 1,000 acres of corn, could not include those transactions in excess of what was produced on the farm).

6.3 Program Year Margin

Your program year margin is based on the fiscal period for which your taxes are filed for the program year. If you filed your taxes using the cash method of accounting, your program year margin will be adjusted for changes in inventories, accounts payable and receivable, and purchased inputs. The change in the value of your inventory over the program year period will be calculated as the change in inventory quantity over the period multiplied by the end-of-fiscal year fair market value.

6.4 Reference Margin

If you have farmed for the last five years, your reference margin will be calculated using an 'Olympic average'. This is your average production margin over the previous five-year period, where the year with the highest margin and the year with the lowest margin are dropped. If your farming operation has undergone a significant structural change, the CAIS Program Administration will adjust your production margins in the reference period prior to determining which years will be used to calculate the Olympic average.

If you have not farmed in each of the previous five years, you will have your reference margin based on the average production margin of the three years immediately prior to the program year. If you did not farm in one or more of the three years immediately prior to the program year, the CAIS Program Administration will create margins for the missing year(s) based on the farm's productive capacity in the program year. The CAIS Program Administration will not create margins for any reference year in which you have (or should have) reported net farming income (or loss) to CRA.

6.5 Stub Periods

If your program year margin or any of your reference period margins represents less than a full year of operation (a stub period), the income statement for the stub period will be combined with information from preceding statements until a minimum period of 12 months is available. The combined income and expenses will be prorated to reflect a 12 month period. Separate income statements for all combined periods must be reported.

In cases where a farming operation has a fiscal year other than 12 months, and within that fiscal year the number of production cycles completed is consistent with the number of production cycles completed in each of the reference years, the Administration may consider the fiscal year to constitute a normal fiscal period. In these cases the Administration may not combine the information with preceding statements.

Participants changing their year-ends within a program year will be bound by their original fiscal year-end deadlines for protection level purposes. For program years that follow the year in which the change occurred, the new fiscal year end will determine deadlines for program purposes.

6.6 Structural Change

Structural change is a change in ownership, business structure, size of operation, farming practices, type of farming activity, method of accounting, or any other practice that you undertake that may alter your production margins. If the CAIS Program Administration determines there has been a significant change in your farming operation's productive capacity as a result of a structural change, adjustments will be made to your reference year and/or program year margins to reflect the change. The structural change adjustment may be waived if, in the opinion of the CAIS Program Administration, the structural change was the result of a disaster. Examples of disaster circumstances include flooding and the depopulation of livestock due to disease.

Note: Structural changes made for the purposes of maximizing or receiving a payment will not be recognized. The onus is on the participant to substantiate that changes have been done for sound business reasons.

For more information on structural change, refer to TIC-3 - Structural Change, available on the CAIS program Web site at www.agr.gc.ca/caisprogram or by calling 1-866-367-8506.

6.6.1 Structural Change Adjustments

In general, the Administration will perform the structural change adjustment as follows:

- For each year in the reference period, the difference between the number of productive units (for each commodity or commodity group) in the program year and the number of units in the reference year will be calculated.

- The difference in productive units for each commodity will be converted to a dollar amount by multiplying the difference in units by the industry average production margin in that reference year for that commodity or commodity group.
- This dollar amount will be added (subtracted) to the actual production margin for that reference year.

Structural change adjustments will be made if the difference between the average adjusted production margin over the reference period and the average unadjusted production margin over the reference period exceeds 5% and $1,000.

Note: Where the standard structural change adjustment cannot be calculated, or if in the opinion of the Administration, the standard structural change adjustment does not accurately reflect the structural change of the farming operation, alternate methods of calculating structural changes may be applied by the Administration.

For more information on structural change, refer to the CAIS program Web site at www.agr.gc.ca/caisprogram, or contact the CAIS Program Administration at 1-866-367-8506.

6.7 Whole Farm Combining

The income and expense information of two or more related persons may be combined if, in the opinion of the CAIS Administration, the farming operations of the related persons are part of a whole farm, even though the operations report separately for income tax purposes.

In determining when operations of the related persons are part of the same whole farm, the CAIS Administration will evaluate each operation's respective degree of legal, financial and operational independence.

For more information on combining, refer to TIC-4 – Whole Farm Approach, available on the CAIS program Web site at www.agr.gc.ca/caisprogram, or contact the CAIS Program Administration at 1- 866-367-8506.

6.7.1 Related Persons

Two or more individuals are deemed to be related persons when they are:

1) individuals connected by blood relationship, marriage or common-law partnership, or adoption;

2) a corporation and
   a. an individual, group of persons, or entity that controls the corporation;
   b. an individual, group of people, or entity of a related group that controls the corporation;
   c. any individual related to a person described in (1) above.

3) two or more corporations if:
   a. they are controlled by the same individual, group of persons, or entity;
   b. an individual or any member of a group of persons or entity that controls one corporation is related to the individual or any member of a group of persons or entity that controls the other corporation;

6.7.2 Transactions Not at Fair Market Value (FMV)

Transactions between all parties must be at FMV to be considered allowable for inclusion in the calculation of margins. Transactions above or below FMV may be excluded, in whole or in part, from the margin calculations. Where these transactions cannot be clearly defined, the CAIS Program Administration may combine the income and expenses of the operations involved in these transactions.

6.7.3 Margin Calculation for Combined Operations

While combined participants will have their program year and reference margins combined for the purposes of calculating program benefits, each individual or entity is responsible to elect their own protection level and to meet the corresponding account balance requirements.

For more information on the margin calculation for combined parties, refer to TIC-4 – Whole Farm Approach, available at the CAIS program Web site at www.agr.gc.ca/caisprogram, or contact the CAIS Program Administration at 1- 866-367-8506.

6.7.4 Payment Caps and Combined Operations

Total payments for combined operations, regardless of the number of parties or protection level selected, cannot exceed $3,000,000 or 70% of the combined margin decline of the combined program year margin relative to the combined reference margin. Margin declines will only be covered once, regardless of the number of parties involved.

Section 7 - Program Management

7.1 Audits, Verification and Accuracy of Information

- By participating in the CAIS program, you consent to the disclosure of the personal information required to administer your account. In doing so, you further consent to allow access to any information by the Minister of Agriculture and Agri-Food Canada and the Provincial Ministers of Agriculture for the purposes of audit, analysis evaluation, program development and calculating and delivering separate program payments subject to the provisions of your respective Privacy Acts.

- You may be subject to audit on a pre- or post-payment basis by the Administration. Any information obtained through audit or inspection may be made available by the Administration to CRA.

- A participant who provides false or misleading information will be denied a payment for the program, and will be required to repay any payment received. It is a criminal offence to obtain money through willfully or intentionally providing false information. If the participant provides any false information or makes a false statement to the CAIS Program Administration, or provides incomplete or misleading information, the participant may be liable for a fine or imprisonment, or both.

- If audit or inspection results in a change to the amount of your CAIS program benefits, any additional amount will be paid to you and any overpayment will be repayable by you.

- If you fail to provide the required information or access to books and records, you will be denied all or part of the payment for the program year or will be required to repay any payment received.

- It is your responsibility to ensure that information supplied to CRA and the CAIS Program Administration is correct and complete. You must inform the CAIS Program Administration of any changes or corrections to information submitted.

- The CAIS Program Administration will not be responsible for notifying participants of incorrect tax reporting. It may adjust tax information as necessary for the purposes of calculating program margins, but cannot make corrections to tax information with CRA. Participants may be notified in writing that a correction with CRA is required in order for your CAIS program forms to be processed. In this case, the participants must make the correction with CRA and notify the CAIS Program Administration within 30 days, or by the established Forms deadline (whichever is later). Participants who are in the process of an audit must continue to adhere to all program deadlines.

7.2 Overpayments

Participants will be required to repay any payments received under the program that are in excess of the amounts permitted under the guidelines of the program. Interest will be charged 30 days after the date that notification of overpayment is issued. The interest rate used is the 90 day federal Treasury Bill rate plus two percent per annum, adjusted quarterly. Debts owing by the participant to the federal and provincial governments may be recovered from amounts payable to the participant under the CAIS program.

7.3 Privacy

The personal and financial information you provide to the CAIS Program Administration will be used only for purposes of processing your CAIS program forms, or as allowed by law (e.g., the Farm Income Protection Act, the Income Tax Act, and the Financial Administration Act). Once your CAIS program forms are submitted, the information becomes confidential. Information will only be used as specified on the CAIS program application or as instructed by you.

Personal information is protected under the Privacy Act and is stored in the Personal Information Bank number AAFC PPU 189. Information is protected from disclosure under Section 20 of the Access to Information Act.

7.4 No Legal Exemptions

Accounts will be subject to the operation of laws relating to estates, bankruptcies, separations, and divorces.

7.5 Participant Appeals

CAIS program participants who feel that program policies were not correctly applied in the verification of their program forms or in the administration of their CAIS program account may request a review through the Appeals Sub-Committee of the National CAIS program Committee.

7.5.1 What You Can Appeal

The Sub-Committee will only review written submissions from the appellant and the CAIS Program Administration. After reviewing all of the factual information relevant to the case, the Sub-Committee will recommend the acceptance or rejection of the appeal to the CAIS Program Administration. The Sub-Committee must make recommendations in accordance with the agreements and legislation governing the CAIS program, and with decisions made by the National CAIS program Committee.

Generally, appeals involving appellants who have not complied with clearly defined program rules will not be supported. Appellants, including those who use the services of a third party, are responsible for knowing and following program policies and meeting deadlines.

The Sub-Committee may make exceptions on the basis of Force Majeure (exceptional circumstances), where the failure to meet the requirements of the CAIS program could not have been avoided by the exercise of due care by the participant or a third party acting on behalf of the participant.

7.5.2 Submitting an Appeal

You must submit your appeal in writing to the Appeals Sub-Committee, care of the CAIS Program Administration. The letter must clearly identify the nature of the appeal and provide sufficient information and documentation to substantiate the appeal.

In requesting an appeal, you must:

- submit your review request in writing within 90 days from the mailing date of the original Calculation of Program Benefits or notification regarding an adjustment request;

- identify the program guidelines you feel have not been correctly applied in the processing of your file, and raise all issues to be considered in the review; any subsequent issues raised after the initial request will not be accepted for review;

- specify the remedy being sought within the Federal-Provincial Agreement establishing CAIS program and the CAIS program guidelines; and,

- where the CAIS Program Administration has determined that you did not meet an established deadline, demonstrate the steps you took to ensure you met the established deadlines; this includes actions taken or documents prepared by a representative of the participant.

Appeals must be sent to:

CAIS Program Appeals
P.O. Box 2759 Station Main
Winnipeg, MB
R3C 4B4

Glossary of Terms

Account: An account established at an authorized financial institution by the participant.

Adjustment: Any adjustment to the financial information originally submitted by a participant that is used to calculate program benefits.

Account Balance Limit: Equal to two times (2x) the amount of a participant's full account balance requirement to secure the maximum protection level.

Account Balance Requirement: The amount that participants must have on deposit in their account to secure their elected protection level.

Administrative Cost Share (ACS): The annual administration fee charged to a participant to cover a portion of the program administration costs.

Calculation of Program Benefits: a notice sent by the Administration to a participant once their program forms have been processed, detailing the calculation of program benefits for the program year.

CRA: Canada Revenue Agency.

Commodity: The agricultural products (plant or animal) produced by a farming business.

Commodity Futures: Contracts to buy or sell a commodity at a specific price on a specific date.

Deposit Notice: A notice sent out by the Administration that indicates any deposits required by the participant to achieve the account balance requirement for the program year.

Disaster Circumstances: Circumstances or events beyond a participant's control, including weather-related natural disasters, fire, and pestilence or disease, but excluding personal medical circumstances.

Elected Protection Level: The percentage of their Reference Margin that a participant elects to be protected in the event that their Program Year Margin declines to zero.

Entity: A participant other than an individual such as a corporation, cooperative, communal organization, or limited liability partnership.

Estimated Reference Margin: The reference margin that appears on a participant's Options Notice and/or Deposit Notice, based on information available to the Administration at the time, or on benchmark averages.

Farming Income: Income derived from farming activities, as defined by CRA.

Financial Institution: A Canadian bank, credit union, trust company, caisse populaire, other institution or agency which can legally hold a participant's CAIS program funds on deposit. They must have signed an agreement with the Government of Canada for this purpose.

Fiscal Year: A 12 month accounting period for which a producer files tax.

Inventory: The tangible property of a farming business which may include items:

- held for sale (example: harvested grain)
- used for production of saleable goods (example: seed, or feed); or
- in the process of being produced (example: standing crops, feeder livestock)

Interim Payments: An advance CAIS program payment based on a participant's projected program year margin decline.

National CAIS Program Committee: The national committee established under the Federal-Provincial Implementation Agreement to assist in the administration of the program.

Negative Margin: The negative portion of a margin decline where the program year margin decline is greater than 100% of the reference margin.

Non-Arm's Length Salaries: Salaries paid to a related person, which include management fees paid to the shareholders of a corporation.

Olympic Average: The average of the production margins for three of the five years immediately prior to the program year, where the highest and the lowest margins are excluded.

Options Notice: A notice sent by the Administration outlining a participant's estimated reference margin. A participant responds to the Options Notice to indicate their elected protection level.

Participant: An individual or entity that meets the eligibility requirements of the program and participates in the program through the Social Insurance Number, Business Number, or Trust Taxation Number under which they report farming income (or loss) for income tax purposes. Status Indians are considered eligible participants provided they submit information that would have otherwise been reported for tax purposes for program and reference years based on the requirements of the Income Tax Act.

Partial (1/3) Deposit: Equal to one-third (1/3) the amount that a participant must normally have on deposit in their account to secure their Elected Protection Level.

Production Cycle: Includes one or more of the following activities:

- the growing and harvesting of a crop;
- the process of rearing livestock;
- the purchase and sale of livestock within a program year in the case of feeding or finishing enterprises.

Production Margin: The difference between allowable income and allowable expenses, as defined by program guidelines.

Program Forms: The annual forms participants must submit to participate in the program.

Program Year: The year for which program forms are submitted, coinciding with a participant's fiscal period for that tax year.

Program Year Margin: The production margin for the Program Year.

Protection Level: The percentage of their reference margin to which a participant wishes to be stabilized in the event that the program year margin declines to zero.

Province of the Main Farmstead: Province where all or the majority of gross farming income was earned in the reference period.

Reference Margin: Average production margin over three of the five years immediately prior to the program year, where the high and low production margins are dropped; or, for participants who did not farm in one or more of the five years immediately prior to the program year, the average production margin over the three years immediately prior to the program year.

Related Persons: For program purposes, the following are considered to be related persons:

1. individuals connected by blood relationship, marriage or common-law partnership, or adoption;
2. a corporation and
    a. an individual, group of persons, or entity that controls the corporation;
    b. an individual, group of persons, or entity of a related group that controls the corporation;
    c. any individual related to a person described in (1) above.
3. two or more corporations if:
    a. they are controlled by the same individual, group of persons, or entity;
    b. an individual or any member of a group of persons or entity that controls one corporation is related to the individual or any member of a group of persons or entity that controls the other corporation

Structural Change: A change in ownership, business structure, size of operation, farming practices, type of farming activity, method of accounting, or any other practice that may alter margins and a farming operation's productive capacity.

Stub Period: A fiscal period of less than 12 months.

Tier 1: Represents the range greater than 85% up to 100% of a participant's reference margin.

Tier 2: Represents the range greater than 70% up to 85% of a participant's reference margin.

Tier 3: Represents the 0-70% range of a participant's reference margin.

Unmatched Withdrawals: Withdrawals from a participant's account that do not trigger any government contributions.

Withdrawal Notice: A notice sent by the Administration to the Financial Institution authorizing a participant to withdraw funds from their CAIS program account.

Whole Farm: Farming income derived from all sources, regardless of the physical location of the farming operation(s).

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